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April 6, 2007

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Application for Consent to Transfer of Control of Telecommunicationes de Puerto Rico Inc. from Verizon to America Movil - WT Docket No. 06-113

Dear Ms. Dortch:

The attached letter from Thomas Tauke, Verizon's Executive Vice President – Public Affairs, Policy and Communications, was delivered today to Commissioners Copps and Adelstein, with copies forwarded to Chairman Martin, Commissioner Tate and Commissioner McDowell. In the letter, Mr. Tauke provides information about the impact of Verizon's investment in the Puerto Rico Telephone Company since 1999.

Please insert this letter into the docket referenced above.

If you have any questions, please feel free to call me.

Sincerely,

A handwritten signature in black ink that reads "Richard T. Ellis".

Thomas J. Tauke
Executive Vice President
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April 6, 2007

Commissioner Michael J. Copps
Commissioner Jonathan S. Adelstein
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Application for Consent to Transfer of Control of Telecommunications de Puerto Rico Inc. from Verizon to America Movil - WT Docket No. 06-113

Dear Commissioner Copps and Commissioner Adelstein:

Verizon appreciates the Commission's recent action approving the transfer of control of Teleunicaciones de Puerto Rico, Inc., sole owner of the Puerto Rico Telephone Company ("PRT"), from Verizon to América Móvil. We are concerned, however, that certain issues raised in your Separate Statements indicate that you may not be aware of the significant improvements in PRT's products and services that resulted from Verizon's efforts in Puerto Rico, including the investment of more than \$1.3 billion after it assumed control of PRT in 1999.

Simply stated, the company that passed from Verizon's control to América Móvil is worlds apart from the company that was privatized in 1999. Landline, cellular and broadband services in Puerto Rico are better today than at any time in the Island's history.

The attachment enclosed with this letter provides more detail about the many ways that PRT improved the quality of communications services and the quality of life for the people of Puerto Rican under Verizon's stewardship.

We appreciate this opportunity to clarify the record.

Sincerely,
A handwritten signature in cursive script that reads "Tom Tauke".

Attachment

cc: Chairman Kevin J. Martin
Commissioner Deborah Taylor Tate
Commissioner Robert M. McDowell

APPENDIX

Verizon's Investment in Puerto Rico

Verizon has made considerable progress in bringing improved and advanced service to new and existing customers throughout the Island despite the challenges of serving an insular area.

Verizon's Network Investment and Improvement

Verizon's stewardship of PRT has resulted in increased deployment of both wireline and wireless services.

- Verizon invested \$1.3 billion between 2000 and 2006, including \$459 million for outside plant, \$186 million in transmission facilities, and \$277 in wireless facilities. As a result, PRT now has a 100% digital switching network with Island-wide interoffice fiber optic deployment. By the end of 2006, PRT had more than 90,000 miles of fiber optic cable in fiber-ring and point-to-point configuration – a 44% increase since 2001.
- PRT has worked with the Telecommunications Regulatory Board of Puerto Rico through the “Comunidades Aisladas” program to expand wireline facilities to those parts of Puerto Rico that currently do not have wireline services due to difficult terrain and low population density.

Service Quality Improvements

Network modernization, new systems, strengthened internal processes, and enhanced employee training have produced significant improvements in service delivery and customer satisfaction.

Between 2003 and 2007:

- Wireline installation results show a 600% improvement in “appointments met” for residential and business installations.
- The installation backlog has been reduced by over 80%.
- The repair report rate has been reduced by 25% and has trended below 3.0 reports per 100 lines.
- Average repair time has improved by more than 100%
- Business customers report a 67% improvement in installation satisfaction while residential customers indicate a 25% improvement between 2004 and 2007.
- The strength of PRT's wireless network has resulted in a current overall wireless customer satisfaction level of 94.5%, up from 59.7% in 2003.

Broadband Investment

PRT has also expanded its advanced services offerings since it was privatized, including significant expansion of broadband availability.

- Currently 78% of total installed wireline capacity is DSL-capable. PRT now offers a variety of DSL services from speeds of 256/128 Kbps to 2048/512 Kbps and has continued to widen deployment of these services.

- The number of customers purchasing DSL has increased by 1450% since 2003. PRT currently has nearly 124,000 DSL subscribers, up from approximately 8,000 in 2003.
- PRT has deployed a number of new IP services, including VoIP, IP Centrex, and Virtual Private Networks (VPN) to meet the increasing demands of customers.
- PRT's high-speed Internet service allows speeds up to 2 Mbps for residential customers, and business customers can take advantage of PRT's Metro-Ethernet service with speeds up to 1 Gbps.

Wireless Improvements

Substantial progress has also been made in the availability of cellular services

- Four years ago, PRT had 350,000 wireless subscribers; today that number has grown to approximately 554,000.
- PRT is currently providing 3G service to most of the extended metro area, which includes San Juan, Bayamon, Guaynabo, Trujillo Alto, Carolina, Dorado, Caguas as well as certain other parts of the Island.

Corporate Responsibility

Verizon's investment in Puerto Rico has extended far beyond its corporate operations. The Verizon International Foundation has donated \$4.2 million dollars between 2001 and 2007 to non-profit organizations in Puerto Rico. These donations included:

- \$1.25 million dollars for engineering and computer scholarships at the University of Puerto Rico - Mayaguez campus
- \$1 million to help the Sociedad de Educación y Rehabilitación (SER – Easter Seals Puerto Rico) expand its rehabilitation and educational services for infants, children, and adults with disabilities, and
- \$697,000 to fund ASPIRA Technology Centers for the poorest school districts to improve literacy and increase computer skills.

Other Important Information

- There have been no increases in basic residential rates in Puerto Rico since before the 1999 privatization.
- PRT provided Internet access to non-profit secondary and post-secondary educational institutions at a 35% discount for five years after closing. The company has also been an active provider of high-speed services to Puerto Rico schools under the Commission's Federal Schools and Library Program (E-Rate).
- PRT has also invested substantially in expanding the Lifeline program in Puerto Rico, and enrollment in this program has increased.

The On-Going Challenges Faced in Puerto Rico

The Commission's Order and Separate Statements from Commissioners Copps and Adelstein note that the penetration rate in Puerto Rico is substantially below the mainland United States.¹ As the Commission has previously recognized, however, numerous factors have contributed to low subscriber rates in Puerto Rico.²

- Puerto Rico's insular nature substantially increases the costs of building and repairing infrastructure and providing service compared to mainland systems.³
- Water-based erosion, unpredictable terrain, and meteorological challenges such as hurricanes and tropical storms all increase costs.⁴
- The per-capita income of Puerto Rico is approximately two-thirds that of the poorest U.S. state.⁵

These challenges constrain build-out to remote areas and dampen subscribership to basic telephone services. The Commission has also recognized the "correlation between the recent decline in Puerto Rico's subscribership rates and the reduction of Puerto Rico's high-cost support" that began in 2001.⁶ For this reason, Verizon and PRT supported the creation of a non-rural insular mechanism for high-cost support.⁷

¹ See *Verizon Communications Inc., Transferor, and América Móvil, S.A. de C.V., Transferee, Application for Authority to Transfer Control of Telecomunicaciones de Puerto Rico, Inc. (TELPRI)*, Memorandum. Opinion. and Order and Declaratory Ruling, WT Docket No. 06-113, ¶ 29 n.81, Separate Statement of Commissioner Michael J. Copps at 1, Separate Statement of Jonathan S. Adelstein at 1 (rel. Mar. 26, 2007).

² *Federal-State Joint Board on Universal Service High-Cost Universal Service Support*, Notice of Proposed Rulemaking, 20 FCC Rcd 19,731, 19744-47 (¶¶ 30-34) (2005) ("USF NPRM").

³ *Id.* ¶ 31 (citing Petition for Clarification and/or Reconsideration of the Puerto Rico Telephone Company, Inc. ("PRT Pet."), CC Docket No. 96-45 at 6 (filed Jan. 14, 2004)).

⁴ *Id.* (citing PRT Pet. at 7).

⁵ *Federal-State Joint Board on Universal Service: Promoting Deployment and Subscribership in Unserved Areas, Including Tribal and Insular Areas*, Comments of Puerto Rico Telephone Company, Inc., CC Docket No. 96-45, at 8-9 (filed Dec. 17, 1999).

⁶ USF NPRM, 20 FCC Rcd at 19,746 (¶ 33).

⁷ *Federal-State Joint Board on Universal Service, High-Cost Universal Service Support*, Comments of Verizon, CC Docket No. 96-45, WC Docket No. 05-337, at 30-31 (filed Mar. 27, 2006). *Federal-State Joint Board on Universal Service, High-Cost Universal Service Support*, Comments of Puerto Rico Telephone Company, Inc., CC Docket No. 96-45, WC Docket No. 05-337, at 27-38 (filed Mar. 27, 2006).